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| Agency: | 107 Health Care Authority |
| Decision Package Code/Title: | PL-EN Reduce CPE Hold Harmless |
| Budget Period: | 2012 Supplemental |
| Budget Level: | PL – Performance Level |

Fiscal Detail/Objects of Expenditure

| | FY 2012 | FY 2013 | Total |
|--|------------------------|------------------------|------------------------|
| 1. Operating Expenditures: | | | |
| Fund 001-1 General Fund State | \$ (13,900,000) | \$ (13,900,000) | \$ (27,800,000) |
| Fund 001-2 GF-Federal - Basic | \$ - | \$ - | \$ - |
| Fund 001-C GF-Federal - Medicaid | \$ - | \$ - | \$ - |
| Fund 001-7 GF-Private/Local | \$ - | \$ - | \$ - |
| Fund 418-1 HCA Admin Account | \$ - | \$ - | \$ - |
| Total | \$ (13,900,000) | \$ (13,900,000) | \$ (27,800,000) |
| 2. Staffing: | | | |
| Total FTEs | - | - | - |
| 3. Objects of Expenditure: | | | |
| A - Salaries And Wages | \$ - | \$ - | \$ - |
| B - Employee Benefits | \$ - | \$ - | \$ - |
| C - Personal Service Contracts | \$ - | \$ - | \$ - |
| E - Goods And Services | \$ - | \$ - | \$ - |
| G - Travel | \$ - | \$ - | \$ - |
| J - Capital Outlays | \$ - | \$ - | \$ - |
| N - Grants, Benefits & Client Services | \$ (13,900,000) | \$ (13,900,000) | \$ (27,800,000) |
| Other (specify) - | \$ - | \$ - | \$ - |
| Total | \$ (13,900,000) | \$ (13,900,000) | \$ (27,800,000) |
| 4. Revenue: | | | |
| Fund 001-2 GF-Federal - Basic | \$ - | \$ - | \$ - |
| Fund 001-C GF-Federal - Medicaid | \$ - | \$ - | \$ - |
| Fund 001-7 GF-Private/Local | \$ - | \$ - | \$ - |
| Fund 418-1 HCA Admin Account | \$ - | \$ - | \$ - |
| Total | \$ - | \$ - | \$ - |

Recommendation Summary Text

Health Care Authority (HCA) requests spending reductions totaling -\$27,800,000 (-\$27,800,000 GF-State) in 2012 Supplemental to the Certified Public Expenditure (CPE) Hold Harmless (HH) Grant effective January 1, 2012. This reduction coincides with the elimination of the Small Rural Indigent Assistance and Non-Rural Indigent Assistance Disproportionate Share Hospital (DSH) programs and the reduction to Low Income DSH. HCA would hold the CPE hospitals harmless to DSH programs that still exist and proportionately to the reduced appropriation percentage to non-CPE hospitals.

Package Description

The state's policy regarding the CPE program is that the state will hold the hospitals financially harmless for the change to the CPE payment methodology. The hospitals will not be paid less under

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the CPE methodology than they would have under the hospital payment methodology in place at the time services are rendered. An analysis is performed annually that compares the total the hospitals would have been paid for inpatient claims under current standard hospital payment methodology and Disproportionate Share Hospital (DSH) payments at 2005 levels to what they will be paid under CPE. Hold harmless grants are paid to hospitals whose total payments are less under CPE. These estimates for hold harmless grants reductions assume that CPE hospitals will be held harmless to existing DSH programs in FY2012 and FY2013. The baseline for Low Income DSH is also reduced 40 percent like the Low Income DSH reductions to the non-CPE hospitals.

Questions related to this decision package should be directed to Lillian Erola at (360) 725-1877 or Lillian.Erola@hca.wa.gov or Sandy Stith at (360) 725-1949 or Sandy.Stith@hca.wa.gov.

Narrative Justification and Impact Statement

This proposal is intended to meet the Governor's request for agencies to submit plans for 10 percent reductions as a result of expected revenue shortfall for the 2011-13 Biennium.

What specific performance outcomes does the agency expect?

This reduction package identifies savings in response to instructions provided by the Office of Financial Management (OFM) for the 2012 Supplemental Budget.

Performance Measure Detail

This reduction decision package will reduce the Certified Public Expenditure (CPE) Hold Harmless (HH) Grant totaling -\$27,800,000 (-\$27,800,000 GF-State) in 11-13 Biennium effective January 1, 2012.

Activity: H023 Disproportionate Share Hospital/Proshare

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Yes. This package will assist the agency in meeting the targeted reductions as identified by OFM.

Does this decision package provide essential support to one of the Governor's priorities?

Yes. This package assists the agency in implementing changes to meet the reduction targets identified by OFM as part of the 2012 Supplemental Budget and keeping the state's budget balanced.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government (POG) process?

Yes. This package assists the agency in implementing changes to meet the reduction targets identified by OFM as part of the 2012 Supplemental Budget.

What are the other important connections or impacts related to this proposal?

Hospitals will not support this proposal but they don't want cuts to other healthcare programs either. Also, by assuring hospitals that they will not receive any less money through CPE payments than they would get through current standard hospital payment methodologies, this package supports the financial viability of the state's hospital community.

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What alternatives were explored by the agency, and why was this alternative chosen?

No other reasonable alternatives have been identified. The DSH reductions pertain to this reduction so both need to be implemented or neither of them should be implemented.

What are the consequences of not funding this package?

The department will not be able to meet its budget reduction targets

What is the relationship, if any, to the state capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

A change to WAC 182-550-4670 is required.

Expenditure and revenue calculations and assumptions.

Revenue Calculations and Assumptions:

Not applicable.

Expenditure Calculations and Assumptions:

The expenditures reduction for CPE HH grants come from the CPE Model baseline reduction for the proposed elimination of DSH programs. The estimates are updated annually.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Distinction between one-time and ongoing costs:

This proposal assumes this would be an ongoing reduction.

Budget impacts in future biennia:

This proposal assumes this would be an ongoing reduction.